



November 4, 2021

VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk/Executive Director
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29211

RE: Annual Review of Purchased Gas Adjustment and Gas
Purchasing Policies of Dominion Energy South Carolina,
Incorporated (For Potential Increase or Decrease in Fuel
Adjustment or Gas Adjustment)
Docket No. 2021-5-G

Dear Ms. Boyd:

Attached for filing is the corrected direct testimony of Ms. Rose Jackson which reflects the corrections made from the stand during the hearing in the above-referenced matter this morning. More specifically, the corrected version includes the following changes:

1. The word "Corrected" has been inserted before "Exhibit" on page 4, line 9; page 6, line 16; and page 10, line 2.
2. On page 5, at the beginning of line 20, the phrase "As stated above," has been deleted and the "the" at the beginning of the line has been capitalized.

By copy of this letter, we are providing the South Carolina Office of Regulatory Staff with a copy of the corrected direct testimony.

If you have any questions, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in blue ink that reads "Matthew W. Gissendanner".

Matthew W. Gissendanner

MWG/kms

Enclosure

cc: Alexander W. Knowles, Esquire

Nicole M. Hair, Esquire

(both via First Class U.S. mail and electronic mail w/enclosures)

**CORRECTED DIRECT TESTIMONY OF
ROSE M. JACKSON
ON BEHALF OF
DOMINION ENERGY SOUTH CAROLINA, INC.
DOCKET NO. 2021-5-G**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.**

2 A. My name is Rose M. Jackson, and my business address is 220 Operation
3 Way, Cayce, South Carolina. I am employed by Dominion Energy Services, Inc.
4 (“DES”) as Director – Gas Supply Services.

5
6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND BUSINESS**
7 **BACKGROUND.**

8 A. I graduated from the University of South Carolina in 1988 with a Bachelor
9 of Science degree in Accounting. Following graduation, I worked for approximately
10 three (3) years as an accountant for a national security services firm. In 1992, I
11 began my employment with SCANA Corporation (“SCANA”) as an accountant
12 working directly for SCANA Energy Marketing, Inc. Over the years, I have held
13 varying positions of increasing responsibility including Energy Services
14 Coordinator, where I was responsible for scheduling gas for the Atlanta Gas Light
15 System; project manager for the implementation of an automated gas management
16 system; and Manager of Operations. In 1998, I became responsible for gas
17 procurement, interstate pipeline and local distribution company scheduling and
18 preparation of gas accounting information. In May 2002, I became Manager of

1 Operations and Gas Accounting with SCANA Services, now DES Services, where
2 I was responsible for gas scheduling on interstate pipelines and gas accounting for
3 all SCANA subsidiaries. In November 2003, I became Fuels Planning Manager
4 where I assisted all SCANA subsidiaries with strategic planning and special projects
5 associated with natural gas. I held this position until promoted to General Manager
6 – Supply and Asset Management in December 2005. On January 1, 2021, I became
7 the Director of Gas Supply Services for DES.
8

9 **Q. WHAT ARE YOUR DUTIES AS DIRECTOR - GAS SUPPLY SERVICES?**

10 A. In regard to Dominion Energy South Carolina, Inc. (“DESC” or the
11 “Company”) concerning this proceeding, I am responsible for gas supply and asset
12 management functions. Specifically, my responsibilities include the oversight of
13 planning, procurement of supply and capacity, nominations and scheduling, gas cost
14 accounting, state and federal regulatory issues concerning supply and capacity, and
15 asset and risk management.
16

17 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.**

18 A. The purpose of my testimony in this docket is two-fold. First, I discuss
19 DESC’s portfolio of gas supply, addressing the various gas supply and
20 transportation options available to the Company. Second, I discuss the state of the
21 natural gas market during the period of August 1, 2020, to July 31, 2021 (“Review
22 Period”).

I. GAS SUPPLY

Q. PLEASE EXPLAIN THE GAS SUPPLY OPTIONS CURRENTLY AVAILABLE TO DESC.

A. There are three gas supply options that are available to DESC: (1) wellhead gas supply, (2) underground storage, and (3) liquefied natural gas (“LNG”). DESC’s gas asset portfolio includes each of these supply options, and the Company has combined these supply options with interstate transportation to meet its firm demand under varying weather conditions at reasonable cost.

Q. PLEASE DESCRIBE THE AVAILABLE INTERSTATE PIPELINE TRANSPORTATION OPTIONS.

A. DESC purchases interstate pipeline transportation capacity on both a firm and interruptible basis from the three (3) interstate pipelines that provide service to DESC: Southern Natural Gas Company (“Southern”), Transcontinental Gas Pipe Line Corporation (“Transco”), and Carolina Gas Transmission, LLC (“CGT”).

Interstate Firm Transportation (“FT”) service permits DESC access to interstate pipeline transportation capacity on a priority basis. Interruptible Transportation (“IT”) service is only available when FT customers, such as DESC, are not using their FT capacity. IT service is curtailed when FT customers use their capacity. In sum, FT and IT services use the same physical pipeline capacity, with FT service having priority. DESC contracts for FT service from the three interstate pipelines serving South Carolina to ensure delivery of natural gas during colder

1 periods when the full transportation capacity of these pipelines is used and when the
2 demand for natural gas service is typically greatest. DESC currently holds 161,144
3 dekatherms (“Dt”) of firm capacity on Southern and 160,458 Dt of firm capacity on
4 Transco, which includes the addition of 90,000 from the Southeastern Trail Project
5 which entered service on January 1, 2021. During the Review Period, DESC held
6 397,427 Dt of firm capacity with CGT during the winter heating season to deliver
7 gas from Transco and Southern and from DESC’s in-state LNG facilities to DESC’s
8 system. The Company acquired through an open season an additional 4,900 Dts per
9 day on CGT, beginning on November 1, 2021. Corrected Exhibit No. __ (RMJ-1)
10 provides a summary of the firm transportation and storage contracts by pipeline
11 supplier.

12 DESC has entered into a precedent agreement subscribing to 62,500 Dt per
13 day of capacity for its natural gas operations on the Mountain Valley Pipeline
14 (“MVP”) project. This capacity will provide DESC access to the Marcellus natural
15 gas basin which will feed into the Southeastern Trail capacity. DESC has been
16 informed that this capacity is currently expected to be in service by mid-summer
17 2022. However, the MVP project has experienced prior delays in its previous
18 expected in-service dates because of ongoing legal challenges associated with
19 permits to cross water bodies and wetlands.

1 **Q. HOW DOES DESC OPTIMIZE ITS FIRM TRANSPORTATION**
2 **CAPACITY?**

3 A. DESC optimizes its firm transportation capacity through “segmentation” which
4 allows DESC to deliver up to twice as much supply on a portion of its firm capacity
5 while paying only one demand charge. Interstate pipelines allow segmentation as long
6 as the delivery point meter has sufficient capacity and gas supply does not cross the
7 same delivery point.
8

9 **Q. HAVE THERE BEEN ANY CHANGES AS TO HOW DESC OPTIMIZES**
10 **ITS FIRM TRANSPORTATION CAPACITY?**

11 A. No. As a result of the DESC Electric Department’s increased need for gas
12 capacity, the 2015 Memorandum of Understanding (“MOU”) approved by the
13 Public Service Commission of South Carolina (“Commission”) in Docket No. 2015-
14 5-G eliminated sharing of 27,000 Dt per day of interstate transportation base
15 capacity between DESC’s Electric and Gas Departments on October 31, 2016.
16 However, the 2015 MOU maintains the ability of the departments to share gas
17 transportation capacity on an interruptible basis as conditions warrant. The MOU
18 also allows the departments to allocate transportation capacity; therefore, the Gas
19 Department continues to have access to 27,000 Dt in Zone 1 of the DECGT system.
20 The Company contracted for 27,000 Dts per day of winter only firm transportation
21 on Elba Express for a two-year term to supply the 27,000 Dt of Zone 1 capacity on
22 DECGT.

1 Also, as part of the MOU sharing arrangement, and beginning November 1,
2 2020, the Gas Department received an additional 18,498 Dts per day of Zone 1
3 capacity on DECGT which was acquired by DESC on December 1, 2015. Prior to
4 the execution of the contract for this 18,498 Dts per day of Zone 1 capacity, the Gas
5 and Electric Departments had agreed that the Electric Department would hold the
6 capacity prior to November 1, 2020; and the Gas Department would hold the
7 capacity after that date.

8
9 **Q. WHAT INTERSTATE STORAGE ASSETS ARE AVAILABLE TO THE**
10 **COMPANY TO AID IN DELIVERING RELIABLE AND SECURE GAS**
11 **SERVICE TO DESC CUSTOMERS?**

12 A. The Company currently has 4,908,848 Dt of storage capacity on Southern's
13 system, with maximum daily withdrawal capability from this storage equaling
14 99,121 Dt per day at peak storage inventory. On Transco, DESC subscribes to
15 593,735 Dt of storage capacity, with a maximum withdrawal quantity of 19,789 Dt
16 per day at peak storage inventory. Corrected Exhibit No. ____ (RMJ-1) reflects total
17 storage and withdrawal capacity by pipeline supplier in a table format.

18
19 **Q. PLEASE DESCRIBE THE LNG FACILITIES AND THEIR CAPACITIES.**

20 A. DESC owns and operates two LNG facilities: one at Bushy Park near
21 Charleston which can liquefy and store up to 980 million cubic feet ("Mmcf") of
22 LNG, and the other at Salley in Orangeburg County, which can store up to 900

1 Mmcf of trucked-in LNG. LNG must be transported to Salley via truck because
2 Salley has no liquefaction facilities.

3
4 **Q. AT WHAT VAPORIZATION RATE CAN DESC USE THESE FACILITIES?**

5 A. The combined storage capability of these facilities allows our system
6 throughput planning to assume a maximum daily withdrawal quantity of 105
7 Mmcf/day. For example, assuming that storage volumes are at maximum capacity,
8 Bushy Park's inventory would be exhausted in approximately 16 days if operated at a
9 withdrawal rate of 60 Mmcf/day, and Salley's inventory would be exhausted in
10 approximately 20 days if operated at a withdrawal rate of 45 Mmcf/day.

11
12 **Q. WHAT BENEFIT DO THESE LNG ASSETS PROVIDE THE COMPANY?**

13 A. DESC relies primarily upon its LNG assets to fulfill the peaking needs of its
14 system and customers. Additionally, the on-system LNG service significantly adds
15 to the reliability and security of gas supply during unfavorable operating conditions
16 that may occur from time to time. For example, DESC's supply of gas could be
17 unexpectedly interrupted because abnormally cold weather creates a spike in
18 demand which in turn causes equipment malfunctions, well freeze-ups, and other
19 operational anomalies thereby limiting the supply of gas into South Carolina. In
20 these instances, DESC could employ the use of its on-system LNG facilities for a
21 limited time to offset or reduce any adverse effects caused by an upstream
22 interruption.

1 Attached hereto as Exhibit No. ____ (RMJ-2) is a comparison of DESC's firm
2 sales service to its capacity to deliver gas to serve firm demand. This exhibit
3 indicates that the Company will have firm assets sufficient to provide a 5.14%
4 system-wide operating reserve (excluding segmentation) during the upcoming
5 winter heating season. This operating reserve is conditioned on the availability of
6 the LNG facilities.

7
8 **Q. DO YOU ANTICIPATE ADDITIONAL INTERSTATE CAPACITY NEEDS**
9 **IN THE NEAR FUTURE?**

10 A. Yes. DESC will require additional interstate pipeline capacity in order to
11 meet future design day forecasts as a result of (1) demand growth on its system for
12 natural gas and (2) the inability to rely on segmentation between certain
13 geographical regions, or area points, to the degree it has in the past.

14 The three interstate natural gas pipelines that serve DESC have indicated
15 that, based on current contracts, they are fully subscribed. Typically, interstate
16 pipelines are designed with little to no unsubscribed capacity therefore requiring
17 advance notice to build facilities for additional natural gas throughput. As such,
18 DESC continues to evaluate new interstate projects available in the marketplace and
19 to seek opportunities to participate in larger interstate pipeline projects which may
20 provide a benefit due to the economies of scale associated with such future projects.

1 **Q. WHY IS DESC UNABLE TO RELY ON SEGMENTATION TO THE**
2 **DEGREE IT HAS IN THE PAST?**

3 A. DESC may no longer have the flexibility to rely on segmentation to meet
4 design day needs between area points to the degree it has in the past due to more
5 businesses subscribing to the CGT pipeline to serve increased firm demand on the
6 CGT system. Historically, DESC has reviewed its firm capacity needs on a system-
7 wide basis and relied on segmentation to meet design day needs between area points.
8 However, as its ability to rely on segmentation decreases, DESC will be required to
9 look at its system growth in more detail by area points rather than on a system-wide
10 basis in order to determine where new facilities will need to be constructed and to
11 contract for any necessary additional firm transportation by area points.

12
13 **Q. HOW DOES DESC UTILIZE ITS COMBINED INTERSTATE STORAGE**
14 **AND ON-SYSTEM LNG TO ENSURE RELIABLE GAS SERVICE?**

15 A. There are two dimensions to storage services: peak capability and duration.
16 DESC uses its storage to address both of these dimensions. Certain storage services
17 are designed to meet spikes in demand on very cold days but only for a short period
18 of time. The storage services in DESC's portfolio of this type include Transco LNG
19 Storage Service and both the Bushy Park and Salley LNG facilities located on
20 DESC's system. Accordingly, these storage services provide DESC with system
21 reliability and peaking capability.

1 Other storage services are geared toward meeting demand over more of the
2 winter period and not only on the coldest days. As set forth in Corrected Exhibit
3 No. ____ (RMJ-1), the storage services in DESC's portfolio of this type include
4 Transco Washington Storage Service ("WSS"), Transco Eminence Storage Service
5 ("ESS"), Transco General Storage Service ("GSS") and Southern's Contract
6 Storage Service ("CSS"). Therefore, these storage services provide DESC with
7 duration capability. Through the active management of these assets, DESC is able
8 to meet the needs of its firm customers on the coldest days of the winter and over
9 the entire winter.

10
11 **Q. PLEASE DESCRIBE THE CONSIDERATIONS EVALUATED BY DESC IN**
12 **ASSEMBLING ITS GAS SUPPLY PORTFOLIO.**

13 A. The Company's evaluations for assembling its gas supply portfolio include
14 reviewing the gas supply, storage, transportation, and other assets already under
15 contract. Other considerations include such things as geographical delivery
16 limitations, maximum volumes, storage ratchets, and the cost of the various
17 services. DESC then compares the resources against the firm demand under varying
18 weather conditions. Finally, the Company determines whether additional resources
19 are required to serve the firm demand.

1 **Q. PLEASE DESCRIBE THE USE OF EACH OF THESE VARIOUS**
2 **SERVICES WITHIN THE PORTFOLIO.**

3 A. DESC places different levels of reliance on its various supply sources based
4 on the time of year in question. Decisions related to the purchase of gas supply are
5 based upon the best information available to DESC at the time of execution. During
6 the winter heating season, the Company uses its wellhead gas as its principal supply,
7 followed by the use of its natural gas supply stored in underground storage facilities.
8 DESC primarily uses its on-system LNG to meet the last increment of demand on
9 the coldest days or hours of the year.

10 As the winter progresses, this order of usage may be modified. For example,
11 if South Carolina experiences mild weather during the early part of the winter and
12 storage inventories are relatively high, then underground storage and LNG
13 withdrawals may be used instead of wellhead supply.

14
15 **II. NATURAL GAS MARKET**

16 **Q. PLEASE DISCUSS THE STATE OF THE NATURAL GAS MARKET**
17 **DURING THE REVIEW PERIOD.**

18 A. Domestic natural gas supply continues to be the lowest priced and most
19 abundant supply in the global natural gas market primarily due to domestic shale
20 production. However, the cost of building new interstate pipeline infrastructure to
21 move shale production continues to rise due to the amount of greenfield pipeline
22 required to move supply from areas in the Northeast such as Marcellus and Utica to

1 market. Interstate pipeline flows are also changing direction. Historically, interstate
2 pipelines have moved gas from the Gulf of Mexico to the Northeast. Developed,
3 current and proposed pipeline projects are reversing the flow to move gas from
4 North to South. Further, the construction timeline to build interstate pipeline
5 capacity is increasing due to more scrutiny from regulators, special interest groups
6 and the public. New capacity projects are estimated to take five (5) years or more
7 before they can be placed into service, assuming they can overcome anticipated
8 legal challenges and be completed.

9 Regarding natural gas prices, the market began the Review Period in the
10 \$2.00 per Dt area. Prices per Dt traded as high as the mid \$2.70s during the month
11 of August due to electric demand and increase in LNG exports before the market
12 tested lower, establishing the low for the Review Period at approximately \$1.80 per
13 Dt on September 21, 2020, as a result of cooler than normal temperatures during the
14 second half of September that reduced electric demand. Prices per Dt then increased
15 to the high \$3.30s by late October. Prices per Dt bounced between this \$3.30 area
16 on the high end and the \$2.20s on the low end until late June when the market broke
17 above \$3.40 per Dt as growth in natural gas demand outpaced supply due to
18 increased LNG exports coupled with storage inventory levels that were behind five
19 year averages. Prices reached the peak for the Review Period on July 26, 2021, at
20 approximately \$4.19 per Dt.

1 **Q. PLEASE DESCRIBE THE TOOLS THAT THE COMPANY UTILIZES TO**
2 **MITIGATE PRICE VOLATILITY TO ITS CUSTOMERS.**

3 A. The Company relies on the approved 12-month rolling purchased gas
4 adjustment mechanism, as described in more detail by Company Witness Elliott, and
5 physical gas storage to mitigate price volatility to its customers.
6

7 **III. COMPANY REQUESTS**

8 **Q. IN REGARD TO THE COMPANY'S PURCHASING PRACTICES, WHAT**
9 **ARE YOU REQUESTING OF THE COMMISSION IN THIS**
10 **PROCEEDING?**

11 A. During the Review Period, DESC contracted for sufficient supplies of natural
12 gas and provided reliable service to its customers. DESC also adequately maintained
13 gas, storage, and transportation assets for its system during the Review Period at levels
14 that were prudent and reasonably met the reliability and service needs of the system.
15 It is my opinion that DESC's acquisition and management of these assets during the
16 Review Period has been prudent and reasonable. Therefore, I respectfully request the
17 Commission find that DESC's cost for gas purchases and asset management were
18 reasonable and prudent for the Review Period.
19

20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 A. Yes.